

CITY STORES COMPANY
and
Consolidated Statements with Subsidiary Companies

Annual Report
to the
Stockholders

JANUARY 31, 1943

BOARD
q658.27
C498r

OFFICERS

SAUL COHN *President*
DR. WILLIAM D. GORDON *Executive Vice President and Treasurer*
IRWIN S. JOSEPH *Vice President*
MEYER FELDMAN *Vice President*
MILTON A. KAMSLER *Secretary*

DIRECTORS

ALBERT M. GREENFIELD
Philadelphia, Pa.
Chairman of the Board

GUSTAVE G. AMSTERDAM
Philadelphia, Pa.

JOSEPH H. LOVEMAN
Birmingham, Ala.

ALFRED BLASBAND
Philadelphia, Pa.

WILLIAM T. POSEY
South Orange, N. J.

SAUL COHN
Newark, N. J.

HARRY W. SCHACTER
Louisville, Ky.

DR. WILLIAM D. GORDON
Philadelphia, Pa.

AARON R. SCHARFF
Memphis, Tenn.

WALTER T. GROSSCUP
Philadelphia, Pa.

HERBERT J. SCHWARTZ
New Orleans, La.

GEORGE H. JOHNSON
Philadelphia, Pa.

HARRY G. SUNDHEIM
Philadelphia, Pa.

JOHN B. KNOX
Philadelphia, Pa.

JOHN J. TURTELTAUB
New York, N. Y.

Transfer Agent CENTRAL HANOVER BANK & TRUST CO.
70 Broadway, New York, N. Y.

Registrar THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York, N. Y.

Auditors ERNST & ERNST
19 Rector Street, New York, N. Y.

May 5, 1943

To the Stockholders of

CITY STORES COMPANY:

The Annual Report of your Company for the fiscal year ended January 31, 1943 is presented herewith, together with the report by independent auditors, Messrs. Ernst & Ernst.

This Annual Report, as in the past, includes balance sheets of City Stores Company individually and consolidated with subsidiaries, separate balance sheets of subsidiaries; also, statements of profit and loss and surplus of City Stores Company individually and consolidated with subsidiaries.

SALES AND EARNINGS

Net sales for the fiscal year, including sales of leased departments, amounted to \$60,623,556, compared with \$53,872,064 for the preceding year, an increase of \$6,751,492 or 12.5%.

Net earnings of store subsidiary companies for the past fiscal year (after elimination of inter-company dividends but before deduction of federal and state taxes on income, minority interest proportion and interest on your Company's long term obligations, etc.) amounted to \$5,591,451 compared with \$3,658,194 for the previous year. Earnings on that basis for each separate group of store subsidiary companies were:

	<i>Fiscal Year Ended January 31, 1943</i>
Lit Brothers and subsidiary companies.....	\$2,874,782
Maison Blanche Company and its subsidiary company (Maison Blanche Realty Company).....	1,242,608
Loveman, Joseph & Loeb and its subsidiary company (Home Finance Corporation).....	664,278
B. Lowenstein & Bros., Inc.....	541,111
Kaufman-Straus Company, Inc., and its subsidiary company (Homecraft Finance Corporation of Louisville).....	268,672
	<u>\$5,591,451</u>
From these earnings there must be deducted the following:	
Proportion of such earnings applicable to preferred and common stocks of subsidiaries not owned by City Stores Company.....	\$ 366,988
Interest on long term obligations of City Stores Company.....	\$293,460
Less sundry income (net) relating to its operations.....	<u>79,544</u> 213,916
Federal and state taxes on income—all companies.....	<u>3,677,860</u>
TOTAL DEDUCTION.....	<u>\$4,258,764</u>

After deducting this amount of \$4,258,764, there remains a net profit of \$1,332,687 applicable to City Stores Company, compared with \$1,408,175 for the preceding year. This decline is the direct result of increased taxes on income, which are \$2,143,755 higher than the previous year.

We have continued as heretofore the use of the retail inventory method for valuing inventories; in addition, we have also combined the use of the "last-in, first-out" principle for determining cost of inventories. The provision for federal taxes on income has been computed on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

Provision for depreciation and amortization of buildings, fixtures, equipment and improvements has been charged against earnings during the past fiscal year in accordance with our consistent policy and amounted to \$608,234, compared with \$598,113 for the preceding year.

While net profit applicable to City Stores Company decreased from \$1,408,175 in the preceding year to \$1,332,687, provision for federal and state taxes on income was increased from \$1,534,105 for the preceding year to \$3,677,860 for the current year.

FINANCIAL CONDITION

Pursuant to our long established practice, the independent auditors, together with the management of our various stores, have supervised inventory procedure and made tests of quantities and basis of valuation.

Inventories at January 31, 1943, are carried at \$6,439,059 after applying reserves of \$307,010. This inventory valuation, reduced by \$211,945 as a result of the use of "last-in, first-out" inventory principle, compares with \$6,902,554 at the close of the preceding year, computed in the same way.

At January 31, 1943, net current assets of the consolidated companies were \$12,138,801, or \$620,502 lower than they were a year ago. Consolidated earned surplus at the close of the year amounted to \$6,440,598, an increase of \$1,412,816 over the balance in that account at the beginning of the year.

LONG TERM OBLIGATIONS OF CITY STORES COMPANY

As of the close of its fiscal year January 31, 1942, this Company had outstanding \$2,586,900 10-Year 6% General Collateral Convertible Notes, due October 1, 1944. These notes were refunded by the issuance of \$1,367,700 new notes, due February 1, 1946, bearing interest at 6% until October 1, 1944 and 3% thereafter, and cash, partly obtained from a three-year loan of \$1,000,000 from the Chase National Bank of the City of New York, payable in three equal installments on August 1, 1943, August 1, 1944, and August 1, 1945 with interest at 3% per annum. The new notes do not carry any conversion privileges. The securities released under the indenture which was terminated as a result of this refunding were pledged with the holders of the new notes issued.

At the close of its fiscal year, January 31, 1942, there were also outstanding \$2,853,000 10-Year 6% Lit Stock Collateral Convertible Notes, due October 1, 1944. This amount has been reduced to \$2,620,000 through sinking fund payments, and arrangements have been completed with the holders of the notes by which further sinking fund arrears up to and including October 1, 1942 have been waived, and the maturity extended to February 1, 1946. The indenture covering this issue of notes remained otherwise unmodified. While the sinking fund provision for annual payments of \$140,000 still applies to these notes, failure to make such payments will not constitute a default. As of the date of this letter the amortization payments for the year ending October 1, 1943 have been fully met.

The stockholders have been benefited by the waiver of sinking fund arrears, reduction of interest and extension of maturities.

REDUCTION OF DEBT

During the fiscal year your Company and its subsidiaries reduced the parent company funded debt, bank loans and mortgages by the sum of \$2,220,091.

Since January 31, 1943 we have anticipated the payment due the Chase National Bank of the City of New York on August 1, 1943 by the payment of \$179,923.50 on February 5, 1943, and also retired on account of the 10-Year 6% Lit Stock Collateral Convertible Notes the sum of \$105,000.

GENERAL

The number of capital shares of City Stores Company outstanding remains at 1,210,042-4/12ths, of which 501 shares are held in the treasury. These shares constitute the only outstanding stock of your Company.

During the year, Maison Blanche Company established a branch store at West Carrollton Avenue in New Orleans in order to meet the growing demand of war workers and the general public in that area.

We pay tribute to over five hundred employees of our companies who have entered the armed forces of the United States.

It has been our endeavor, always subject to the needs of the war effort, to provide adequately for the general public and the influx of workers in our various territories; to use our facilities to better the understanding of the public as to the full intent and meaning of the numerous requirements of our Government; and to cooperate in the national effort to work out a fair distribution of merchandise and a control of those inflationary forces which would hurt purchasing power. Our national economy is based upon a total war effort. The result must be many new and perplexing problems which involve the handling of merchandise, losing workers to military and defense occupations, and many restrictions; notwithstanding, we have striven to serve our customers satisfactorily and at the same time full steps have been taken to comply with the requirements of the Government and its agencies.

The results of this year could not have been achieved without the patient consideration and good will of our customers and the loyal cooperation of our personnel.

For the Directors.

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

ERNST & ERNST
19 RECTOR STREET
NEW YORK

BOARD OF DIRECTORS,
CITY STORES COMPANY,
WILMINGTON, DELAWARE.

We have examined the consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies as of January 31, 1943, and the statements of profit and loss and surplus of CITY STORES COMPANY and the consolidated statements of profit and loss and surplus of that Company and its subsidiaries for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Our examination included tests of accounts receivable of all companies by direct communication with a selected number of customers. We were present at stores at appropriate times during the taking of inventories and observed procedures followed by the companies in determination of quantities and made test counts of quantities.

In our opinion, the accompanying consolidated balance sheet and individual balance sheets and related statements of profit and loss and surplus present fairly the consolidated position of CITY STORES COMPANY and its subsidiaries and of the individual companies at January 31, 1943 and consolidated results of their operations and of the operations of CITY STORES COMPANY for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

April 30, 1943.

CITY STORES

BALANCE

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$	2,482.21
-----------	----	----------

DEPOSITS UNDER INDENTURES SECURING LONG TERM OBLIGATIONS—

Note A:

Cash on deposit or in transit to trustee.....	\$	90,500.00	
Dividend declared by subsidiary company received by trustee on February 5, 1943.....		179,923.50	270,423.50

OTHER ASSETS:

Sundry accounts receivable.....			533.25
---------------------------------	--	--	--------

INVESTMENTS IN AND ACCOUNTS RECEIVABLE FROM

SUBSIDIARY COMPANIES:

City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937—Note B:

Unpledged.....	\$	62,504.46	
Pledged to long term obligations.....		13,486,866.01	\$13,549,370.47
Accounts receivable.....		3,777.34	13,553,147.81

EQUIPMENT—at cost:

Furniture and fixtures.....	\$	3,766.13	
Less reserve for depreciation.....		188.31	3,577.82

DEFERRED CHARGES:

Prepaid tax, insurance and expense.....			1,463.63
---	--	--	----------

\$13,831,628.22

The notes on following page are an

COMPANY, (Individually)

SHEET

31, 1943

LIABILITIES

CURRENT LIABILITIES:

Note payable: Bank loan installment due in 1943.....	\$	333,333.34	
Accounts payable:			
Subsidiary companies.....	\$	42,645.56	
Other.....		5,574.97	48,220.53
Accrued accounts:			
Interest.....	\$	54,080.00	
Taxes, state franchise, etc.....		5,222.63	59,302.63
TOTAL CURRENT LIABILITIES.....	\$		440,856.50

LONG TERM OBLIGATIONS:

Ten Year 6% Lit Stock Collateral Convertible Notes, maturity extended to February 1, 1946 —Note A:			
Authorized and issued.....	\$	3,500,000.00	
Less retired.....		880,000.00	\$ 2,620,000.00
Note payable—due February 1, 1946 (subordinate to the following note payable to bank).....			1,260,000.00
Note payable to bank—secured—due \$333,333.33 annually 1943 to 1945—Note A.....	\$	1,000,000.00	
Less installment included in current liabilities as above.....		333,333.34	666,666.66
			4,546,666.66

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000
shares; (524,000 shares reserved for conversion of Ten Year
6% Lit Stock Collateral Convertible Notes)

	Shares	Shares	
Common:			
Authorized.....		1,900,000	
Less: In treasury.....	501		
Unissued and available for general corporate purposes.....	689,957-8/12	690,458-8/12	
Outstanding—Note C.....		1,209,541-4/12	\$ 6,047,706.66

Surplus:

Capital surplus.....	\$	1,053,623.05	
Earned surplus (since February 1, 1935)— Notes D and E.....		1,742,775.35	2,796,398.40
			8,844,105.06
			<u>\$13,831,628.22</u>

CONTINGENT LIABILITY:

Note F

integral part of this balance sheet.

NOTES TO BALANCE SHEET OF CITY STORES COMPANY (Individually)

JANUARY 31, 1943

NOTE A—Represents \$20,500.00 to apply against interest and sinking fund requirements on long term obligations as of January 31, 1943, and \$249,923.50 for additional reduction of long term obligations. During 1942, the indenture securing Ten Year 6% Lit Stock Collateral Convertible Notes was amended, under an agreement of extension, to provide among other things that unfulfilled sinking fund requirements of the indenture be waived to October 1, 1942. Sinking fund requirements, under the indenture as amended, provide for annual payments of \$140,000.00 beginning with the year ending October 1, 1943; of the amount for that year \$40,000.00 was paid October 19, 1942 and the remaining balance of \$100,000.00 paid subsequently to January 31, 1943.

NOTE B—City Stores Company's proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1943 amounted to \$18,480,889.77.

NOTE C—Includes shares to be issued to complete exchange of stock under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—In accordance with the terms of the indenture securing Ten Year 6% Lit Stock Collateral Convertible Notes, the Company, so long as any of the notes issued under the indenture are outstanding, will not declare, pay or set apart for payment cash dividends upon its common stock except out of surplus earned subsequent to October 1, 1934. (See note to City Stores Company profit and loss statement.)

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income. No provision is required for federal taxes on income.

At January 31, 1943 City Stores Company was guarantor of notes payable to bank by a subsidiary company (City Stores Mercantile Company, Inc.) in the amount of \$105,680.00.

CITY STORES COMPANY (Individually)
PROFIT AND LOSS STATEMENT
YEAR ENDED JANUARY 31, 1943

INCOME:

Dividends from subsidiary companies:

Received in cash	\$600,926.00	
Declared by subsidiary company (received subsequently to January 31, 1943)	179,923.50	\$780,849.50

Payments by subsidiary companies for management, advisory and sales service, less net amounts transferred to City Stores Mercantile Company, Inc. (a wholly owned subsidiary) for buying service

182,886.73

Interest on dividend note given by subsidiary company

2,804.29

Miscellaneous

6,423.28

\$ 972,963.80

DEDUCTIONS:

General expenses 108,384.99

Interest on long term obligations:

\$ 864,578.81

Ten Year 6% Lit Stock Collateral Convertible Notes

\$163,196.67

Ten Year 6% General Collateral Convertible Notes

72,354.65

Notes payable

57,908.34

293,459.66

NET PROFIT

\$ 571,119.15

NOTE A—Cash dividends from collateral held by trustee under indenture securing Ten Year 6% Lit Stock Collateral Convertible Notes must first be used by trustee for payment of the interest and then used to comply with sinking fund provisions of the indenture, as amended by agreement of extension, which specify that annual payments shall be made beginning with the year ending October 1, 1943 of \$140,000.00 per year. Under the terms of the indenture, the provisions for sinking fund is cumulative, but failure to provide the specified amount does not constitute a default.

All cash dividends from collateral securing note payable to bank are collectible by the bank but in case the Company is not in default in payment of principal or interest on the note such dividends with respect to certain of these companies not exceeding \$150,000.00 per annum shall be paid over by the bank to the Company.

NOTE B—No provision is required for federal taxes on income.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1943

Balance at February 1, 1942 \$1,171,656.20

Add net profit for year as above 571,119.15

BALANCE AT JANUARY 31, 1943 \$1,742,775.35

CITY STORES COMPANY AND
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash		\$ 6,492,901.36
Marketable securities:		
United States Government securities at cost and accrued interest (approximate market price)	\$ 561,785.92	
Sundry securities at quoted market prices	55,250.00	617,035.92
Accounts receivable from customers (including \$2,143,076.29 of installment accounts) less reserves of \$570,111.84		6,110,552.73
Accounts and notes receivable from vendors and tenants, less reserve of \$10,000.00		193,301.50
Merchandise inventories, less reserves of \$307,009.80 as shown in subsidiary companies balance sheets—Note A		6,439,058.98
TOTAL CURRENT ASSETS		\$19,852,850.49

**DEPOSITS UNDER INDENTURES SECURING LONG TERM OBLIGATIONS—
Note B:**

Cash on deposit or in transit to trustee	\$ 90,500.00	
Dividend declared by subsidiary company received by trustee on February 5, 1943—contra	179,923.50	270,423.50

INVESTMENTS AND OTHER ASSETS:

Investments:

Bonds purchased through an affiliate—at cost and accrued interest	\$ 180,500.00	
Mortgages (\$265,583.92 purchased through an affiliate of which \$132,826.42 is guaranteed by such affiliate) and accrued interest	355,030.94	
Stock of City Stores Company (516 shares of common stock owned by subsidiaries)	2,527.26	
Sundry investments, less reserves of \$16,147.41	84,090.78	\$ 622,148.98
Officers, employees and sundry notes and accounts receivable, deposits, etc. (\$40,000.00 due from an officer of a subsidiary company partially secured by capital stock of an affiliated company)		128,232.19
Claims against closed banks, less reserves of \$32,100.52		29,130.25
Cash surrender value of life insurance		41,818.29
Post-war refund of excess profits taxes—estimated		19,510.00
		840,839.71

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—Note C:

Land		\$10,739,396.45
Buildings, fixtures and equipment	\$16,630,617.78	
Less reserves for depreciation	7,143,285.22	9,487,332.56
Improvements to leased properties	\$ 507,222.62	
Less reserves for amortization	256,006.90	251,215.72
		20,477,944.73

GOOD WILL (carried on books of subsidiaries in total amount of \$2,792,158.27)		1.00
---	--	-------------

DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expense, inventories of supplies, prepaid taxes and expenses		515,419.59
--	--	-------------------

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Companies for the past two fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1943 by \$995,633.09, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$37,200.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Reference is made to Notes A to the balance sheet and to the profit and loss statement of City Stores Company in which the amount of funds available for interest, sinking fund requirements and retirement of long term obligations are stated and provisions of indenture securing long term obligations of the Company are given with respect to the effect upon surplus and income available for dividends.

NOTE C—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased buildings, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE D—Includes shares to be issued to complete exchange of stock under prior capitalization.

NOTE E—Including \$2,505.00 reserved for common stock held in treasury.

NOTE F—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies.

NOTE G—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above, which involves total tax liability of approximately \$636,400.00 for the two fiscal years ending January 31, 1943.

\$41,957,479.02

SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1943

LIABILITIES

CURRENT LIABILITIES:

Notes payable:

Banks—for borrowed money	\$ 105,680.00	
Bank loan installments due in 1943	<u>633,333.34</u>	\$ 739,013.34
First mortgage installments due in 1943		356,830.52
Accounts payable for merchandise, etc.		3,300,276.02
Dividends payable by subsidiary companies (including \$179,923.50 to be deposited with trustee for secured note payable to bank—contra)		181,013.50
Accrued salaries, wages, interest on mortgages, etc.		511,624.46
Taxes (other than federal taxes on income)		246,502.36
Interest on long term obligations		54,080.00
Federal and state taxes on income—estimated: (including \$2,582,690.00 of federal excess profits taxes after using \$268,000.00 post-war credit through reduction of debt)—Notes A and G	\$3,825,184.24	
Less United States Tax Notes purchased for payment of such taxes when due	<u>1,500,475.00</u>	<u>2,324,709.24</u>

TOTAL CURRENT LIABILITIES \$ 7,714,049.44

DEFERRED LIABILITIES:

Notes payable to banks due 1943-47	\$1,350,000.00	
Less installments included in current liabilities	<u>300,000.00</u>	\$1,050,000.00
Paving assessments due subsequently to January 31, 1944	<u>1,724.12</u>	1,051,724.12

FIRST MORTGAGES:

Payable by subsidiary companies	\$8,405,412.69	
Less installments included in current liabilities	<u>356,830.52</u>	8,048,582.17

OTHER LONG TERM OBLIGATIONS—Note B:

Ten Year 6% Lit Stock Collateral Convertible Notes, maturity extended to February 1, 1946:		
Authorized and issued	\$3,500,000.00	
Less retired	<u>880,000.00</u>	\$2,620,000.00
Note payable—due February 1, 1946 (subordinate to the following note payable to bank)		1,260,000.00
Note payable to bank—secured—due \$333,333.33 annually 1943-1945	\$1,000,000.00	
Less installment included in current liabilities	<u>333,333.34</u>	<u>666,666.66</u>
		4,546,666.66

RESERVES FOR REDEMPTION OF TRADING STAMPS, CONTINGENCIES, ETC. 816,521.15

DEFERRED INCOME:

Unearned carrying charges on installment sales		45,123.60
--	--	-----------

MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par	\$3,864,500.00	
Accrued undeclared dividends to January 31, 1943	1,092,507.67	
Common stock—subsidiary companies	318,062.00	
Surplus applicable thereto	<u>684,117.85</u>	5,959,187.52

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares; (524,000 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)

Common:	Shares	Shares	
Authorized		1,900,000	
Less:			
In treasury	501		
Unissued and available for general corporate purposes	<u>689,957-8/12</u>	<u>690,458-8/12</u>	
Outstanding—Note D		<u>1,209,541-4/12</u>	\$6,047,706.66

Surplus:

Capital surplus	\$1,287,319.93	
Earned surplus (since February 1, 1935)—Note E	<u>6,440,597.77</u>	<u>7,727,917.70</u>
		<u>13,775,624.36</u>
		<u>\$41,957,479.02</u>

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ended January 31, 1943	Year Ended January 31, 1942	Year Ended January 31, 1941
NET SALES, including sales of leased departments.....	\$60,623,556	\$53,872,064	\$45,222,974
COST OF GOODS SOLD.....	38,793,798	34,985,549	29,179,577
GROSS PROFIT ON SALES.....	\$21,829,758	\$18,886,515	\$16,043,397
INCOME FROM BROADCASTING AND INSTALLMENT ACCOUNT CARRYING CHARGES.....	753,249	712,169	321,514
TOTAL GROSS PROFIT.....	\$22,583,007	\$19,598,684	\$16,364,911
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES....	15,751,192	14,897,657	13,057,460
	\$ 6,831,815	\$ 4,701,027	\$ 3,307,451
OTHER INCOME:			
Interest.....	61,980	44,571	48,044
Rentals.....	199,151	196,946	185,334
Profit on sale of securities—net.....	1,044	73,255	19,304
Dividends.....	38,121	51,921	47,902
Discounts earned on expense invoices.....	36,984	45,163	37,728
Miscellaneous.....	57,197	72,176	56,364
TOTAL OTHER INCOME.....	\$ 394,477	\$ 484,032	\$ 394,676
	\$ 7,226,292	\$ 5,185,059	\$ 3,702,127
OTHER CHARGES:			
Interest on mortgages, notes payable, etc.....	450,335	479,716	482,543
Provision for depreciation and amortization.....	608,234	598,113	537,095
Provision for sundry charges, doubtful accounts, etc. (net).....	333,947	379,761	240,298
Loss on disposal of equipment.....	162,781	—	—
	\$ 1,555,297	\$ 1,457,590	\$ 1,259,936
PROFIT BEFORE FOLLOWING DEDUCTIONS	\$ 5,670,995	\$ 3,727,469	\$ 2,442,191
FEDERAL AND STATE TAXES ON INCOME—ESTIMATED:			
Provision for current year:			
Federal normal income tax and surtax.....	978,643	1,025,543	513,200
Federal excess profits tax.....	2,582,690*	391,500	—
State income tax.....	106,158	120,313	85,300
Adjustment of prior year.....	10,369	(3,251)	(17,193)
	\$ 3,677,860	\$ 1,534,105	\$ 581,307
	\$ 1,993,135	\$ 2,193,364	\$ 1,860,884
Amount of net profit of subsidiaries applicable to preferred and common stocks of subsidiary companies not owned by City Stores Company.....	366,988	447,684	375,840
PROFIT APPLICABLE TO CITY STORES COMPANY BE- FORE DEDUCTING INTEREST ON ITS LONG TERM OBLIGATIONS.....	\$ 1,626,147	\$ 1,745,680	\$ 1,485,044
Interest on City Stores Company's long term obligations.	293,460	337,505	345,082
NET PROFIT FOR PERIOD.....	\$ 1,332,687	\$ 1,408,175	\$ 1,139,962

* After deducting post-war refund of \$287,510.

NOTE—The above statement of profit and loss is subject to the pertinent notes on the financial statements of the respective companies for the three fiscal years.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1943

CAPITAL SURPLUS:

Balance at February 1, 1942..... \$1,271,722.61

Add:

Increase in surplus of a subsidiary as
of date of acquisition, June 21, 1941,
arising from prior period deprecia-
tion adjustment..... \$31,421.66

Less proportion applicable to minority
interest..... 9,864.20 \$ 21,557.46

Transfer from minority interest in preferred stock
of subsidiaries the amount of accrued undeclared
dividends on such stock acquired by subsidiary
companies during year (applicable to periods
prior to reorganization of City Stores Company
on January 31, 1935)..... 4,995.67 26,553.13

\$1,298,275.74

Deduct excess of purchase price over amount represented by par
value of shares of subsidiary companies acquired during year.... 10,955.81

CAPITAL SURPLUS—BALANCE—JANUARY 31, 1943..... \$1,287,319.93

EARNED SURPLUS:

Balance at February 1, 1942..... \$5,027,782.13

Add:

Consolidated net profit applicable to City Stores
Company for year ended January 31, 1943..... \$1,332,686.84

Adjustment of reserves for deprecia-
tion and property accounts applica-
ble to prior years to conform with
adjustments made by U. S. Bureau
of Internal Revenue..... \$101,598.67

Less proportion applicable to minority
interest..... 31,894.87 69,703.80

Transfer from minority interest in preferred stock
of subsidiaries the amount of accrued undeclared
dividends on such stock acquired by subsidiary
companies during year (applicable to periods
subsequent to reorganization of City Stores Com-
pany on January 31, 1935)..... 10,425.00 1,412,815.64

EARNED SURPLUS—BALANCE—JANUARY 31, 1943..... 6,440,597.77

TOTAL SURPLUS—BALANCE—JANUARY 31, 1943..... \$7,727,917.70

LIT BROTHERS AND
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....		\$ 3,777,042.12
Marketable securities (including United States Government securities of \$250,000.00 at market value).....		305,250.00
Accounts receivable:		
Customers' charge accounts.....	\$2,457,731.00	
Customers' installment accounts.....	1,517,133.68	
Creditors' debit balances.....	88,885.02	\$ 4,063,749.70
Less reserve.....	327,598.96	3,736,150.74
Merchandise inventories—Note A.....		3,286,391.64
TOTAL CURRENT ASSETS.....		\$11,104,834.50

INVESTMENTS AND OTHER ASSETS:

Sundry investments.....	\$ 34,997.87	
Mortgages receivable (including \$132,757.50 purchased through an affiliated company).....	222,114.40	
Sundry accounts receivable, deposits and cash in closed banks....	91,228.74	
Officers and employees notes and accounts receivable (\$40,000.00 partially secured by capital stock of an affiliated company)....	43,666.10	
Subsidiary company post-war refund of excess profits tax—estimated	3,510.00	395,517.11

PROPERTY, PLANT AND EQUIPMENT—Note B:

Land, buildings, fixtures and equipment—at cost.....	\$18,825,878.41	
Less reserves for depreciation.....	4,197,034.42	14,628,843.99

GOOD WILL.....		1,046,783.23
----------------	--	--------------

DEFERRED CHARGES:

Unamortized mortgage expense, inventory of supplies, prepaid insurance, taxes and expenses.....	288,209.22
---	------------

NOTE A—Inventories of merchandise on hand and in transit are valued by the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past two fiscal years had the effect of reducing the amount stated for inventories at January 31, 1943 by \$455,052.37 and reducing net profit for the year then ended (after taxes on income) by approximately \$21,000.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, which is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE C—An agreement in connection with issuance of the serial notes provides, among other things, including provisions respecting net current assets, that while any of such notes are outstanding the Company will not declare or pay any dividends (other than dividends payable in stock of the Company), purchase, redeem or otherwise retire any shares of any class of its stock or make any other distribution in respect thereto, which will reduce earned surplus of the Company below \$3,000,000.00.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1943 amounted to \$2,592,081.00 of which \$1,623,240.00 is applicable to preferred stock owned by City Stores Company.

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to under Note A above which involves total tax liability of approximately \$339,000.00 for the two fiscal years ending January 31, 1943.

\$27,464,188.05

SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1943

LIABILITIES

CURRENT LIABILITIES:

Serial note payable August 15, 1943—Note C.....	\$	250,000.00	
First mortgage installments due in 1943.....		325,893.84	
Accounts payable.....		1,443,809.15	
Accrued accounts.....		122,938.99	
Federal, state and local taxes—estimated (net after using \$139,000.00 post-war credit of federal excess profits tax through reduction of debt)—Note E.....	\$	2,187,693.10	
Less United States Tax Notes purchased for payment of such taxes when due.....		750,225.00	1,437,468.10
TOTAL CURRENT LIABILITIES.....			\$ 3,580,110.08

RESERVES:

For redemption of trading stamps.....	\$	561,438.93	
For self insurance and contingencies.....		55,924.62	617,363.55

SERIAL NOTES PAYABLE TO BANK—Note C:

Due \$250,000.00 annually 1943 to 1947.....	\$	1,250,000.00	
Less amount included in current liabilities.....		250,000.00	1,000,000.00

FIRST MORTGAGES ON LAND AND BUILDINGS:

Due semi-annually 1943 to 1955.....	\$5,395,000.00		
Due quarterly 1942 to 1954 (payable by subsidiary)	746,153.96	\$ 6,141,153.96	
Less installments included in current liabilities.....		325,893.84	5,815,260.12

DEFERRED INCOME:

Unearned carrying charges on installment sales.....			45,123.60
---	--	--	-----------

CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred 6% cumulative par value \$100.00 per share, redeemable at \$105.00 per share—Note D:			
Authorized 120,000 shares; outstanding 96,003 shares, after deducting 23,997 shares in treasury.....	\$	9,600,300.00	

Common, no par value:

Authorized and issued 1,000,000 shares; outstanding 999,145 shares after deducting 855 shares in treasury.....		999,145.00	
		<u>\$10,599,445.00</u>	

Surplus—Note D:

Capital.....	\$	200,229.84	
Earned.....		5,606,655.86	5,806,885.70
			<u>16,406,330.70</u>
			<u>\$27,464,188.05</u>

MAISON BLANCHE COMPANY

BALANCE SHEET

JANUARY 31, 1943

ASSETS

CURRENT ASSETS:

Cash.....	\$1,113,694.18
United States War Bonds—Series "F"—at cost.....	11,100.00
Accounts receivable—trade (including \$256,354.30 of installment accounts) less reserve of \$52,952.99 for doubtful.....	1,010,207.71
Merchandise inventories, less reserve of \$40,000.00—Note A.....	1,304,719.25
TOTAL CURRENT ASSETS.....	\$3,439,721.14

AFFILIATED COMPANIES:

Accounts receivable.....	7,665.58
--------------------------	----------

INVESTMENTS AND OTHER ASSETS:

Investment in affiliated company—book carrying amount (94 shares common stock of City Stores Company).....	\$ 470.01	
Investments in other companies.....	46,700.00	
Sundry accounts receivable and advances and cash in closed banks, less reserve of \$13,192.77.....	8,150.62	55,320.63

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:		
Investment in 7,085 shares of common stock (representing 99.44% of outstanding stock) —at cost (Maison Blanche Company's proportion of net tangible assets as shown by this company's balance sheet at January 31, 1943 amounted to \$1,321,336.42).....	\$ 894,575.00	
B. Lowenstein & Bros., Inc.:		
Investment in 11,450 shares of common stock (its entire outstanding capital stock)—at cost (net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1943 amounted to \$1,880,990.14).....	\$2,219,411.38	
Account receivable.....	68.55	2,219,479.93
		3,114,054.93

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$ 885,135.65	
Less reserves for depreciation.....	561,901.38	\$ 323,234.27
Improvements to leased properties.....	\$ 238,690.03	
Less reserve for amortization.....	161,364.59	77,325.44
		400,559.71

GOOD WILL—as stated on books.....

376,031.24

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....	98,856.77
	<u>\$7,492,210.00</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 674,640.65
Dividend payable (paid February 3, 1943).....	180,000.00
Accrued salaries, taxes and expenses.....	103,301.29
Federal and state taxes on income—estimated:	
Net after using \$62,333.00 post-war credit of federal excess profits tax through reduction of debt—Note D.....	\$ 718,400.00
Less United States Tax Notes purchased for payment of such taxes when due.....	400,000.00
	318,400.00

TOTAL CURRENT LIABILITIES.....

\$1,276,341.94

RESERVES FOR INSURANCE, ETC.....

11,768.40

CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common stock—par value \$50.00 per share:		
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00	
Surplus:		
Capital surplus.....	\$ 250,000.00	
Earned surplus.....	1,954,099.66	2,204,099.66
		6,204,099.66
		<u>\$7,492,210.00</u>

CONTINGENT LIABILITIES:

As guarantor of the following:

Notes payable of Maison Blanche Realty Company in the amount of \$100,000.00—Note C.

On realty leases of Maison Blanche Realty Company, the annual rental of which is \$8,000.00 plus insurance and realty taxes to September 30, 1971.

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past two fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1943 by \$215,453.12, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$6,500.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—All gross profit and carrying charges are taken into income account in year in which sales are made.

NOTE C—In connection with the guarantee of these notes the Company entered into an agreement which, among other things, including provisions respecting current assets and current liabilities, provides that while any of such notes are outstanding the capital stock and surplus of the Company will not be reduced below \$4,750,000.00.

NOTE D—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$94,000.00 for the two fiscal years ending January 31, 1943.

MAISON BLANCHE REALTY COMPANY

BALANCE SHEET

JANUARY 31, 1943

ASSETS

CURRENT ASSETS:

Cash	\$	42,939.34	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful. . .		14,906.22	
TOTAL CURRENT ASSETS	\$	57,845.56	

AFFILIATED COMPANY:

Account receivable—Maison Blanche Company		111.80	
---	--	--------	--

OTHER ASSETS:

Sundry accounts receivable and cash in closed bank, less reserve of \$16,917.34		5,835.51	
---	--	----------	--

LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land	\$1,266,616.45		
Buildings, fixtures, equipment, etc.	\$2,602,119.54		
Less reserves for depreciation	1,093,809.27	1,508,310.27	2,774,926.72

DEFERRED CHARGES:

Prepaid insurance, taxes and expenses		10,471.59	
		<u>\$2,849,191.18</u>	

LIABILITIES

CURRENT LIABILITIES:

Note payable to bank	\$	50,000.00	
Purchase mortgage note		10,000.00	
Accounts payable		5,701.91	
Accrued interest and taxes		23,468.22	
Federal and state taxes on income—estimated—Note B		24,500.00	
TOTAL CURRENT LIABILITIES	\$	113,670.13	

LONG TERM OBLIGATIONS:

First Mortgage Notes—4½%—maturing \$25,000.00 semi-annually on May 1st and November 1st, balance due May 1, 1944 (principal installments postponed by mortgagee until maturity of mortgage)	\$1,300,000.00		
Notes payable to bank—guaranteed by Maison Blanche Company—maturing \$50,000.00 May 17, 1943 and April 3, 1944	\$	100,000.00	
Less note due May 17, 1943 included in current liabilities as above		50,000.00	50,000.00
Purchase mortgage notes — 4½% — maturing \$10,000.00 annually on July 15, 1943 to July 15, 1949	\$	65,000.00	
Less note due July 15, 1943 included in current liabilities as above		10,000.00	55,000.00
			1,405,000.00

DEFERRED PAVING ASSESSMENT:

Payable in installments subsequently to January 31, 1944		1,724.12	
--	--	----------	--

CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common—par value \$100.00 per share:			
Authorized	\$	750,000.00	
Less 375 shares in treasury		37,500.00	\$ 712,500.00
Earned surplus—Note A			616,296.93
			<u>1,328,796.93</u>
			<u>\$2,849,191.18</u>

NOTE A—Restricted in the amount of \$37,500.00 representing the par value of shares in the treasury.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income. No provision is required for federal excess profits tax.

LOVEMAN,
And its Subsidiary Company,
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 460,291.68
United States Government securities at cost and accrued interest.....	250,613.00
Accounts receivable—trade (including \$158,974.17 of installment accounts) less reserve of \$117,559.89 for doubtful.....	570,781.07
Merchandise inventories, less reserve of \$157,009.80—Note A.....	653,841.07
TOTAL CURRENT ASSETS.....	\$1,935,526.82

AFFILIATED COMPANY:

Account receivable.....	14,923.38
-------------------------	-----------

INVESTMENTS AND OTHER ASSETS:

Investments:

Purchased through an affiliated company:

Bonds at cost and accrued interest.....	\$ 180,500.00
Mortgages guaranteed by affiliated company and accrued interest.....	132,916.54
	<u>\$ 313,416.54</u>
In parent company—at quoted market price (422 shares common stock of City Stores Company)...	2,057.25
Sundry investments, less reserve of \$10,624.41.....	1,888.91
	<u>\$317,362.70</u>

Cash surrender value of life insurance.....	41,818.29
Post-war refund of excess profits tax—estimated.....	16,000.00
Sundry accounts receivable, etc.....	4,419.80
	<u>379,600.79</u>

LAND, BUILDINGS AND EQUIPMENT—Note B:

Land.....	\$934,465.96
Buildings, equipment, furniture, fixtures, etc.....	\$1,383,152.53
Less reserves for depreciation.....	443,018.77
	<u>940,133.76</u>
	<u>1,874,599.72</u>

GOOD WILL—as stated on books.....	800,000.00
-----------------------------------	------------

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, interest, etc.....	43,492.34
	<u>\$5,048,143.05</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past two fiscal years had the effect of reducing the amount stated for inventories at January 31, 1943 by \$123,754.24 and reducing net profit for the year then ended (after taxes on income) by approximately \$2,700.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Land stated at cost paid for in capital stock at time of organization; buildings, fixtures and equipment stated at cost less subsequent accruing depreciation.

JOSEPH & LOEB
Home Finance Corporation

BALANCE SHEET

31, 1943

LIABILITIES

CURRENT LIABILITIES:

Mortgage installments due in 1943.....	\$	20,936.68	
Accounts payable.....		404,444.52	
Accrued salaries, taxes and interest.....		73,155.19	
Federal and state taxes on income—estimated:			
Net after using \$24,000.00 post-war credit of federal excess profits tax through reduction of debt—Note F.....	\$	559,873.77	
Less United States Tax Notes purchased for payment of such taxes when due.....		100,100.00	459,773.77
TOTAL CURRENT LIABILITIES.....	\$		958,310.16

LONG TERM OBLIGATIONS:

First Mortgage 4%—on land, buildings and fixtures, due February 7, 1948, with semi-annual install- ment payments of \$20,000.00 each due February 7 and August 7.....	\$	880,000.00	
Less amount included in current liabilities as above.		20,000.00	\$ 860,000.00
Real estate mortgage notes payable in 180 monthly installments of \$147.94 each which includes interest at 4% per annum on the unpaid principal balance at date of payment (payable by subsidiary).....	\$	19,258.73	
Less amount included in current liabilities as above.		936.68	18,322.05
RESERVES FOR CONTINGENCIES, PENSIONS, ETC.....			878,322.05
			155,389.20

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:			
Preferred stock—7% cumulative—redeemable at \$120.00 per share—Note D:			
Authorized and issued 10,000 shares.....	\$1,000,000.00		
Less 7,403 shares in treasury...	740,300.00	\$ 259,700.00	
Common stock:			
Authorized 20,000 shares.....	\$2,000,000.00		
Less unissued 3,780 shares.....	378,000.00	1,622,000.00	\$1,881,700.00
Surplus—Notes D and E:			
Capital surplus.....	\$ 2,034.50		
Earned surplus.....	1,172,387.14	1,174,421.64	3,056,121.64
			<u>\$5,048,143.05</u>

NOTE C—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1943 on the 7% cumulative preferred stock amounted to \$169,670.67 of which \$122,826.67 is applicable to preferred shares not owned by City Stores Company or its subsidiaries.

NOTE E—Restricted in the amount of \$740,300.00 representing the par value of preferred shares held in treasury.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$90,000.00 for the two fiscal years ending January 31, 1943.

B. LOWENSTEIN & BROS., INC.
BALANCE SHEET
JANUARY 31, 1943

ASSETS

CURRENT ASSETS:

Cash.....		\$ 888,658.21
Accounts receivable—trade (including \$145,502.57 of installment accounts) less reserve of \$52,000.00 for doubtful.....		641,545.39
Merchandise inventories, less reserve of \$100,000.00—Note A.....		705,641.34
TOTAL CURRENT ASSETS.....		\$2,235,844.94

AFFILIATED COMPANIES:

Accounts receivable.....		4,244.59
--------------------------	--	----------

INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$3,663.00.....	\$ 1.00	
Employees and sundry accounts receivable.....	3,673.63	3,674.63

FIXTURES, EQUIPMENT AND IMPROVEMENTS—AT COST:

Store and office fixtures and equipment.....	\$1,162,480.47	
Less reserves for depreciation.....	723,057.49	\$ 439,422.98
Improvements to leased property.....	\$ 118,308.33	
Less reserve for amortization.....	53,087.66	65,220.67
		504,643.65

GOOD WILL—as stated on books.....		150,000.00
--	--	-------------------

DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....		39,617.19
		<u>\$2,938,025.00</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 643,713.45
Accrued salaries, taxes and expenses.....		27,621.41
Federal taxes on income—estimated:		
Net after using \$35,667.00 post-war credit of federal excess profits tax through reduction of debt—Note C.....	\$ 403,800.00	
Less United States Tax Notes purchased for payment of such taxes when due.....	200,100.00	203,700.00
TOTAL CURRENT LIABILITIES.....		\$ 875,034.86

RESERVES:

For special compensation and contingencies.....	\$ 25,000.00	
For plate glass and parcel post losses.....	7,000.00	32,000.00

CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common stock—no par value, declared value \$100.00 per share:		
Authorized 15,000 shares; 11,450 shares issued.....	\$1,145,000.00	
Surplus:		
Capital surplus.....	\$ 414,719.33	
Earned surplus (since October 1, 1938).....	471,270.81	885,990.14
		<u>2,030,990.14</u>
		<u>\$2,938,025.00</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past two fiscal years had the effect of reducing the amount stated for inventories at January 31, 1943 by \$134,781.77 and reducing net profit for the year then ended (after taxes on income) by approximately \$4,000.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$82,400.00.

KAUFMAN-STRAUS COMPANY, INC.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville
CONSOLIDATED BALANCE SHEET
JANUARY 31, 1943

CURRENT ASSETS:

ASSETS

Cash.....		\$	200,862.94	
United States Government securities at cost and accrued interest.....			50,072.92	
Accounts receivable—trade (including \$65,111.57 of installment accounts) less reserve of \$20,000.00 for doubtful.....			330,263.10	
Merchandise inventories, less reserve of \$10,000.00—Note A.....			488,465.68	
TOTAL CURRENT ASSETS.....				\$1,069,664.64
AFFILIATED COMPANY:				
Account receivable.....			7,500.00	
INVESTMENTS AND OTHER ASSETS:				
Investments in other companies.....	\$	503.00		
Employee and sundry accounts receivable.....		3,402.41		3,905.41
LAND, EQUIPMENT AND IMPROVEMENTS:				
Real estate and buildings—at cost.....	\$	1,424.05		
Less reserve for depreciation.....		439.20	\$	984.85
Furniture, fixtures, and equipment—Note C.....		\$230,163.68		
Less reserve for depreciation.....		102,753.71		127,409.97
Improvements to leased buildings—Note C.....		\$150,224.26		
Less reserve for amortization.....		41,554.65	108,669.61	237,064.43
GOOD WILL—as stated on books.....				419,343.80
DEFERRED CHARGES:				
Inventory of supplies, prepaid insurance, taxes and expenses.....			32,574.81	
				\$1,770,053.09

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$	273,136.51	
Accrued salaries, taxes and expenses.....			35,008.75	
Federal and state taxes on income—estimated:				
Net after using \$7,000.00 post-war credit of federal excess profits tax through reduction of debt—Note F.....		\$144,000.00		
Less United States Tax Notes purchased for payment of such taxes when due.....		50,050.00		93,950.00
TOTAL CURRENT LIABILITIES.....				\$ 402,095.26
CAPITAL STOCK AND SURPLUS:				
Capital stock:				
Preferred stock—7% cumulative—par value \$100.00 per share—Note D:				
Authorized and issued—10 shares.....	\$	1,000.00		
Preferred stock—5% cumulative—par value \$100.00 per share—Note E:				
Authorized 2,422 shares; issued 2,395 shares.....		\$239,500.00		
Less retired 848 shares.....		84,800.00	154,700.00	
Common stock—par value \$100.00 per share:				
Authorized and issued 8,000 shares.....		800,000.00		
				\$955,700.00
Surplus:				
Capital surplus.....		\$208,234.84		
Earned surplus since February 1, 1940—Notes D and E.....		204,022.99	412,257.83	1,367,957.83
				\$1,770,053.09

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past two fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1943 by \$66,591.59, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$3000.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—All gross profit and carrying charges are taken into income account in year in which sales are made.

NOTE C—Stated at sound values as determined in January 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1943 on the 7% cumulative preferred stock amounted to \$840.00.

NOTE E—Under date of April 21, 1941 the Company obtained an option from an affiliated company, to purchase from it, for retirement, 1,125 shares of 5% cumulative preferred stock of Kaufman-Straus Company, Inc. The affiliated company agreed under the terms of the option to waive unpaid and accumulated dividends on the stock; therefore no dividends have been declared or paid on these shares during the past fiscal year. As of January 31, 1943 the Company had purchased and retired 450 shares of such stock under the option.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above which involves total tax liability of approximately \$31,000.00 for the two fiscal years ending January 31, 1943 and for a certain State of Kentucky unemployment tax which the Company is contesting.

CITY STORES MERCANTILE COMPANY, INC.

BALANCE SHEET

JANUARY 31, 1943

ASSETS

CURRENT ASSETS:			
Cash.....			\$ 6,930.68
AFFILIATED COMPANIES:			
Investments:			
Preferred stock of Loveman, Joseph & Loeb—717 shares—at cost (pledged as collateral to notes payable).....	\$88,369.10		
Preferred stock of Kaufman-Straus Company, Inc.—675 shares—at cost (pledged as collateral to notes payable).....	33,750.00		
Common stock of Maison Blanche Company—34 shares—at cost.....	5,140.00	\$127,259.10	
Accounts receivable.....		28,106.90	155,366.00
OTHER ASSETS:			
Sundry accounts receivable.....			1,361.84
EQUIPMENT—NOTE A:			
Furniture and fixtures.....		\$ 24,811.36	
Less reserve for depreciation.....		21,082.67	3,728.69
DEFERRED CHARGES:			
Prepaid insurance and expenses.....			654.64
			<u>\$168,041.85</u>

LIABILITIES

CURRENT LIABILITIES:			
Notes payable to bank—Guaranteed by City Stores Company (717 shares preferred stock of Loveman, Joseph & Loeb and 675 shares preferred stock of Kaufman-Straus Company, Inc. pledged as collateral).....			\$105,680.00
Accounts payable, including \$27,546.52 to affiliated companies.....			31,490.56
Accrued taxes, insurance and interest.....			1,469.30
TOTAL CURRENT LIABILITIES.....			<u>\$138,639.86</u>
CAPITAL STOCK AND SURPLUS:			
Capital stock—par value \$100.00 per share:			
Authorized 1,250 shares; issued and outstanding 250 shares.....	\$ 25,000.00		
Paid in surplus.....	4,401.99		29,401.99
			<u>\$168,041.85</u>

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less provision for accruing depreciation.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income. No provision is required for federal taxes on income.

NOTE C—City Stores Mercantile Company, Inc. was incorporated under the laws of the State of New York and commenced operations on February 1, 1942.

PAID IN SURPLUS

BALANCE at January 31, 1943.....	\$ 4,401.99
No change during year.	

INCOME AND EXPENSES

Year Ended January 31, 1943

INCOME:			
Payments by subsidiary companies of City Stores Company for buying services—net.....	\$151,026.06		
Other.....	6,000.00		\$157,026.06
EXPENSES (Net).....			157,026.06
BALANCE.....			<u>\$ — 0 —</u>

KENVILLE REALTY COMPANY

BALANCE SHEET

JANUARY 31, 1943

ASSETS

ACCOUNT RECEIVABLE:

Affiliated company	\$ 79.40
--------------------------	----------

LAND—Note A	50,000.00
-------------------	-----------

	<u>\$50,079.40</u>
--	--------------------

LIABILITIES

CURRENT LIABILITIES:

Real estate taxes	\$ 295.75
-------------------------	-----------

Federal capital stock tax	2.50
---------------------------------	------

TOTAL CURRENT LIABILITIES	<u>\$ 298.25</u>
---------------------------------	------------------

CAPITAL:

Capital stock—par value \$100.00 per share:

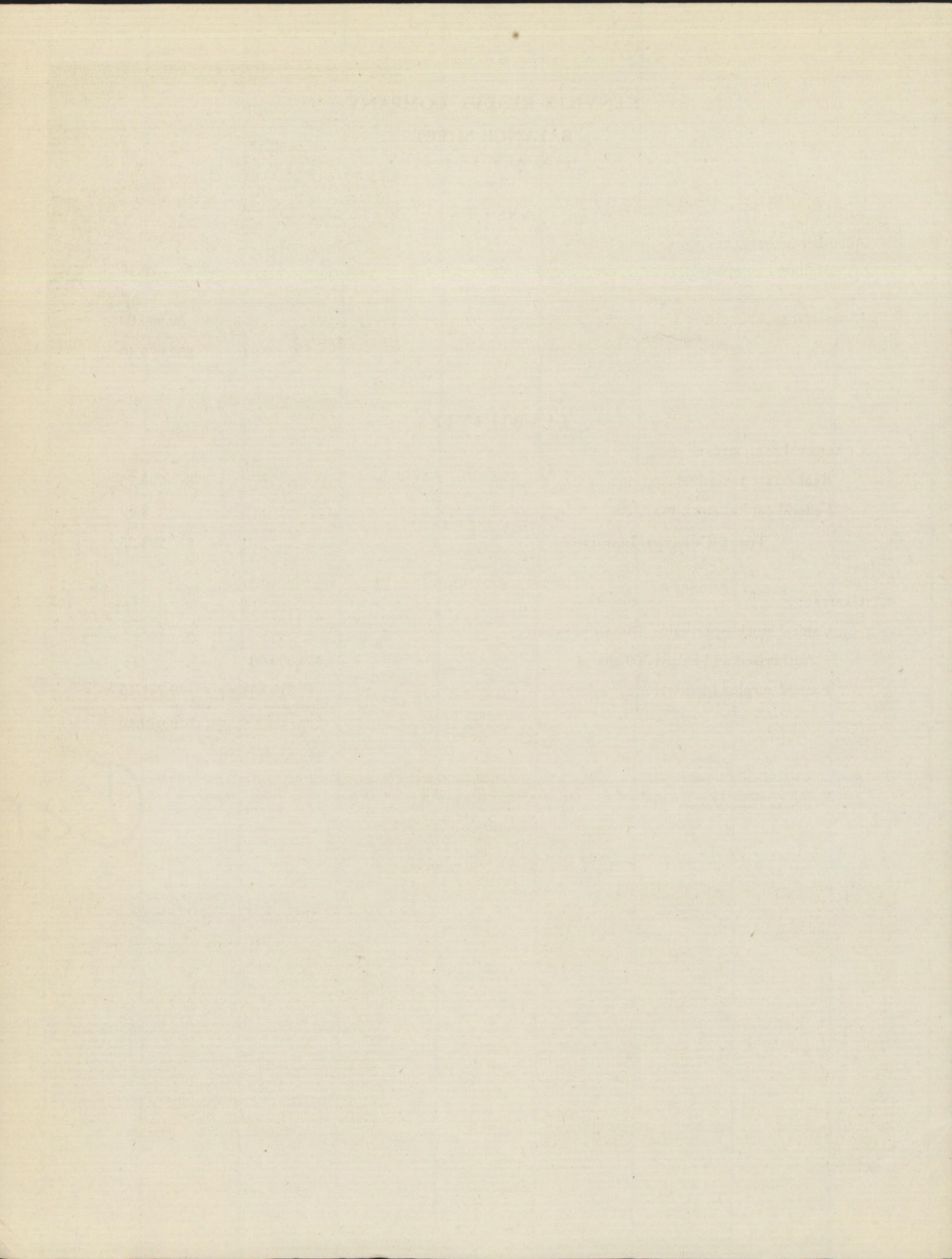
Authorized and issued 500 shares	\$50,000.00
--	-------------

Earned surplus (deficit)	(218.85)	49,781.15
--------------------------------	-----------	-----------

	<u>\$50,079.40</u>
--	--------------------

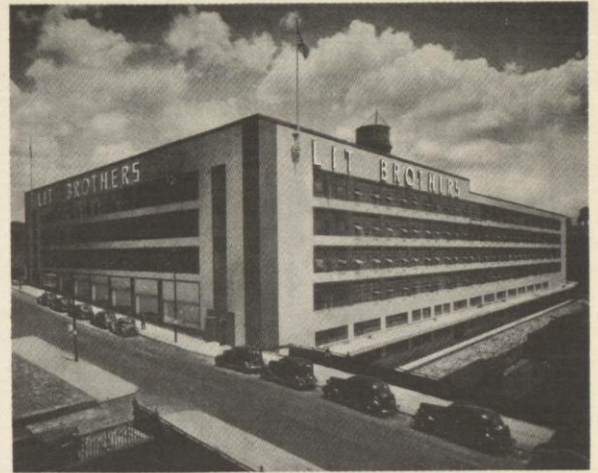
NOTE A—Stated at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as of January 31, 1934.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income. No provision is required for federal taxes on income.





1.



2.



3.

1. Lit Bros.
Philadelphia, Pa.
2. Lit Bros.—Warehouse
Philadelphia, Pa.
3. MAISON BLANCHE Co.
New Orleans, La.
4. MAISON BLANCHE Co.
W. Carrollton, New Orleans, La.
5. B. LOWENSTEIN & BROS. INC.
Memphis, Tenn.
6. LOVEMAN, JOSEPH & LOEB
Birmingham, Ala.
7. KAUFMAN-STAUS Co., Inc.
Louisville, Ky.



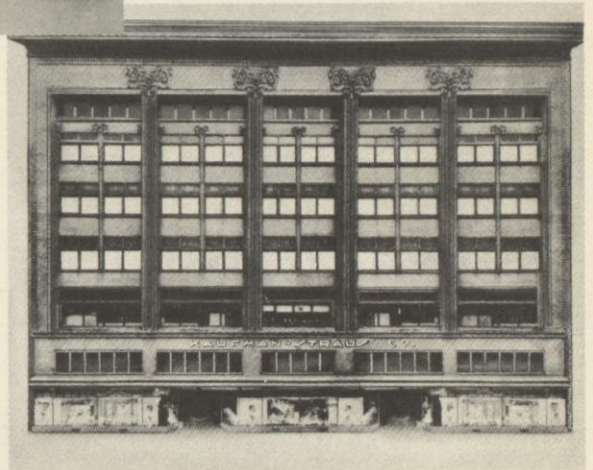
4.



5.



6.



7.

